

Attachment 9: Employee Benefits Reporting Guidance – Imputed Costs and Expenses

BACKGROUND

The Statement of Federal Financial Accounting Standards Number 5 (SFFAS #5), Accounting for Liabilities of the Federal Government, paragraphs 56 through 93, establishes accounting and reporting standards for liabilities relating to Federal employee benefit programs, civilian pensions and other retirement benefits. SFFAS #5 requires that Chief Financial Officers' (CFO) reports disclose the full costs associated with pensions and Other Retirement Benefits (ORB) for its employees. This includes current costs and all future costs for benefits to be provided to Department of Defense (DoD) employees after they retire.

For Fiscal Year (FY) 1999 through FY2002, the Defense Finance and Accounting Service (DFAS) - Arlington (AR)/Financial Statements and Reports Directorate (AAS) provided the DFAS Sites with the DoD agencies' employee benefits cost. In FY 2003, DFAS-AR began using the Data Collection Module (DCM) to provide the employee benefits costs to DFAS Sites.

PART I - Imputed Costs

Accounting for the government's expenses related to employee benefits for (1) the Civil Service Retirement System (CSRS), (2) the Federal Employees Retirement System (FERS), (3) the Federal Employees Health Benefits (FEHB) Program and (4) the Federal Employees Life Insurance (FELI) Program is a requirement for the financial statements. The amounts remitted to the Office of Personnel Management (OPM) by and for covered employees do not generally cover the actual cost of the benefits those employees will receive after their careers are over. As a consequence, for FY 2004, agencies must recognize an "imputed" cost equal to the difference between the true cost of providing future benefits to their employees and the employee and employer contributions they remit to OPM.

DFAS-AR is using the DCM to provide imputed cost amounts for Retirement, FEHB and FELI to the DFAS Accounting Sites for inclusion on the financial statements. Effective with the third quarter, FY 2004, the Data Collection Module (DCM) will automatically prepare a standard journal voucher (JV) that will interface with the Defense Departmental Reporting System (DDRS)- Audited Financial Statements (AFS) System upon selection of this option. If a DFAS site does not wish to use this option, the following journal entry should be used to record the imputed cost amounts for Retirement, FEHB and FELI in the agencies' financial statements. Upon completion of JV, ensure that "Data Call" is selected as the JV category since this entry will represent the source data. Please note that the amounts entered into DCM by DFAS-AR will be submitted to OPM. In order to facilitate the proper elimination entry with OPM, it is imperative that the amounts entered into DCM are not changed unless coordinated with DFAS-AR.

Journal Entries

6730 (F)(24)	Imputed Cost	
5780 (F)(24)		Imputed Financing Sources
<i>To record employer's share of liabilities and expenses for payroll benefits. (Retirement, FEHB, FELI)</i>		

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Journal Voucher Support

The following support will be included with this entry:

1. DFAS-AR report with imputed cost amounts, including the letter of approval from the Office of the Actuaries.
2. OPM guidance containing cost factors and imputed cost computation information.

PART II - EMPLOYEE BENEFIT EXPENSE

DoD agencies are required to report the actual government contributions for employee benefits for (1) CSRS, (2) FERS, (3) the FEHB, (4) the FEGLI Program, and (5) the Voluntary Separation Incentive Program (VSIP). The objective of this process is to ensure that revenue per OPM agrees with expenses per DoD agencies. Government contributions for the above employee benefits should be recorded and reported using the United States Standard General Ledger (USSGL) account 6400, Benefit Expense. This account is also used to record employment benefits, entitlement benefits due and payable, or insurance and guarantee benefits that are incurred by the program agency.

DFAS-AR is using the DCM to provide employee benefit expense amounts for CSRS, FERS, FEHB and FEGLI to the DFAS Accounting Sites for inclusion on the financial statements. Beginning July 1, 2004, the DCM will prepare standard journal voucher entries that interface with DDRS-AFS for employee benefit accrual entries only. Other related expenses will be provided in the DCM, but will not automatically populate journal vouchers. Therefore, DFAS Sites may need to populate additional journal vouchers to reflect total expenses provided in the DCM. Additionally, the DFAS Sites are responsible for forwarding the VSIP current year expense, payment, and liability information to DFAS-AR/AAS for inclusion in the total employee benefit expense amounts that will be provided in the DCM. The DFAS Sites are responsible for recording any additional amounts on the financial statements.

Effective October 1, 2003, all 15 percent DoD VSIP contributions (excluding NSA) will cease. Any amounts owed for contributions to cover VSIP participants approved before September 30, 2003, must still be paid and are now considered outstanding balances. All future VSIP-approved participation as of October 1, 2003, will no longer require a 15 percent contribution paid by the respective DoD agency (excluding NSA). All requirements to record and report the related expense and payable as described above will continue until all outstanding balances are paid in full.

JV Entries

Recognize the Liability and Expense

Proprietary Entry	
6400 (F)(24)	Benefit Expense*
2213 (F)(24)	Employer Contributions and Payroll Taxes Payable
3107 (F)(24)	Unexpended Appropriations - Used
5700 (F)(24)	Expended Appropriations

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Budgetary Entry		
4610		Allotments – Realized Resources
	4901	Delivered Orders - Obligations, Unpaid
Payment Entry –		
Proprietary		
2213 (F) (24)		Employer Contributions and Payroll Taxes Payable
	1010	Fund Balance With Treasury
4901		Delivered Orders - Obligations, Unpaid
	4902	Delivered Orders - Obligations, Paid
To record employer's share of liabilities and expenses for payroll benefits. (<i>Retirement, FEHB, FEGLI</i>)		

*NOTE: The proper USSGL for these expenses is 6400(F). However, many of the legacy and migratory systems may be using 6100(F) or 2210(N) (F). When this occurs, a reclassification entry must be made to move those expenses out of 6100(F) and record them as 6400(F).

Beginning with the third quarter, FY 2004, the DCM will prepare standard JV entries that interface with the DDRS-AFS for imputed cost and accrual of employee benefits. If additional JV entries into DDRS-AFS are necessary, please ensure that (1) the correct attributes for USSGL account 6400 are selected for Retirement, FEHB, FEGLI, and VSIP, and (2) “*Data Call*” is selected as the JV category since this entry will represent the source data. **Please note that the “Retirement” attribute has replaced the “CSRS/FERS” attribute.**

Journal Voucher Support

The following support will be included for the above entries:

- 1) DFAS-AR report for the reporting period ending June 30, 2004, listing CSRS/FERS, FEGLI, and FEHB.
- 2) A copy of the Site support for VSIP liabilities as of June 30, 2004.

OPM receives government contributions for agencies from many payroll offices. These payroll offices are unable to separately identify amounts for specific agencies (Army, Navy, etc.). OPM has agreed to accept the DoD agencies’ breakout of government contribution amounts submitted by DFAS-AR/DAS, provided that the sum of the DoD agencies’ contributions received by OPM agrees with the total amount it has recorded for the year.